Town of Bedford Finance Committee
Town Hall, Selectmen's Meeting Room
January 29, 2015

Members in attendance: Rich Bowen, Tom Busa, Steve Carluccio, Elizabeth McClung, Barbara Perry, David Powell, Steve Steele (*Chair; arrived after start of the business)*; Ben Thomas (*Acting Chair for beginning of business*).

Others in attendance: Taissir Alani, *Facilities Director*; David Coelho, *Bedford Public Schools Finance Director*; Ron Cordes, *Board of Assessors*; Rich Daugherty, *Elm Street Resident*; Glenn Garber, *Planning Director*; Victor Garofalo, *Director of Finance and Collector/Treasurer*; Ann Guay, *School Committee*; Brad Hafer, *School Committee (Chair);* Michael McAllister, *School Committee*; Bill Moonan*, Selectmen;* Bruce Murphy*, Board of Assessors;* Ed Pierce*, School Committee;* Zo Pierce, *Board of Assessors*; Stephen Poulos, *Town Assessor*; Rick Reed, *Town Manager*; Abbie Seibert*, School Committee.*

Minutes: Mr. Powell moved to accept the minutes of January 22 as amended. Ms. Perry seconded. The motion carried, 6-0-2.

Reserve Fund Request from Planning office: Planning Director Garber asked the Finance Committee to consider making funds available for a substitute minutes taker while Administrative Assistant Cathy Silvestrone remains out on family medical/ bereavement leave.

"We've had no administrative support since mid-December and there's a big administrative load….I'm coming before you to ask that we try to keep the money as di minimis as possible. We tried to figure out how we can get some real help and spend very little money in relative terms. We decided that the single-most burdensome thing is minutes," Mr. Garber explained.

Due the to the length of the meetings , the complexity of Planning business and the necessary detail, Mr. Garber calculated that each meeting would require 8 hours of staff time, budgeted at just under $16.50 per hour. To get through Annual Town Meeting, Mr. Garber hopes to cover seven meetings for a total cost of $924.

Mr. Thomas asked why Mr. Garber didn't request additional support to help print and collate meeting packets. Mr. Garber replied that he was trying to be "fiscally careful." He said to produce the meeting packets— with 2 meetings a month for 2 months at 5 hours per meeting— that additional time would run another $350.

FinCom members concurred that this additional support was needed to ensure that staff is not overworked and to prevent applications from bottlenecking.

Ms. Perry moved that FinCom recommend a Zero Fund transfer up to $1,500 for the Planning Board for the salary segregation. Mr. Thomas seconded. The motion passed unanimously, 9-0-0.

The Committee asked Mr. Garber to convey sincere condolences to the Silvestrone family. Mr. Garber expressed gratitude to Fin Com's Planning liaison David Powell for his advocacy in this matter and extended his thanks to Finance Committee members for their understanding and generosity.

Assessors Proposed FY16 Budget: Town Assessor Poulos began the presentation by saying the proposed budget exceeds FinCom's guideline. Mr. Garofalo has posted the delta at $9,246.

Going through the budget, line item by line item, Mr. Poulos noted necessary inflationary adjustments for software maintenance.

He explained he's attempting to put in place a "simple inspection program that does a little chunk of commercial/industrial" assessment every year. "Doing it all at once… [as has been done in the past] produces a lot of mistakes," he said.

Mr. Poulos intends to bring more of the residential and commercial/ industrial valuation work in-house rather than pay an outside consultant. "We're going to take resources in the office and utilize them to do the valuation work inside, maximize the personal property benefit and minimize Town expenses…. Patriot [one of two consultants] will still review our income and expenses reports that we get from commercial/industrial…. We [in the office] are a more familiar with the residential side than we are commercial side."

However, he alerted the Committee that "on every third year (a re-val year) there will be a budgetary spike when Patriot needs to be more involved in the process."

Mr. Bowen, liaison to the Assessors, explained that the new growth is based on commercial/industrial personal property that includes computers, physical plant improvements and/or added commercial/industrial accounts. Depreciation is accounted for by "an arbitrary depreciation factor which approximates useful life. It doesn't go down to zero but to about 30%, unless there's evidence it has been disposed of or removed from the town." He said that most of the new growth realized last year is attributable to one new company that moved into town "with substantial personal property."

Mr. Bowen added: "Basically what was discovered was the need, annually, to visit commercial properties, looking for anything that was reported vacant one year to see if it is no longer vacant as well as to check buildings for new tenants and to check for personal property, especially of the larger accounts." Mr. Bowen said that 10 accounts make up 75-80% of taxable personal property taxes of the Town.

Mr. Cordes said turnover in PCs and laptops accounts for a lot of the growth/change in personal property. "Companies tend to roll those over every three years and if we wait to do an inspection every three years, we don't catch that new growth at its full value. It is to our advantage to go knocking on these doors, essentially every year….Half of that $46m in new personal property was one company [and] almost exclusively in computers. If they roll it over every three to five years, that's $4m a year."

Mr. Poulos said that building owners are obligated to provide the Town with a formal income and expenses list but "20-25% do not comply" with the requirement. The penalty for non-compliance is $250. Mr. Garofalo reported that the Town levied about 100 such fines this year.

It was noted that Patriot wasn't doing cyclical assessments and that "their data was very stale". Patriot doesn't specialize in commercial/industrial—they're more knowledgeable about retail assessments. Mr. Poulos said this lack of fresh information was noted "when the State came" in so Bedford "had no choice but to address it."

"We had to get everything assessed for the FY18 certification," he explained. RRC [a second outside consultant] was therefore hired to perform commercial/industrial assessments, resulting in more robust new growth figures.

Under the new system, Bedford will assess every commercial/industrial account every year for three years and then decide what to do going forward. Mr. Poulos noted that other towns like Chelmsford and Lexington are also assessing more frequently. "In some cases, you're losing 60-70% of the growth you could have picked up if you did it every year," he explained. "With the 600-700 accounts we have in town, what we pick up will more than cover the cost of the [consulting] contract."

Mr. Thomas asked whether the new growth number in the FY16 model is correct or in need of adjustment. Mr. Poulos and Mr. Cordes concurred that they did not yet know how it would be affected but the amount might be higher than projected.

Mr. Murphy added that it has always been the Town's policy to start with a conservative new growth projection. "We would much rather have a pleasant surprise when the new growth numbers actually come in. Historically, FinCom has supported that approach."

Mr. Mortenson asked whether it was possible to capture new growth after the fact. Mr. Poulos replied it was not possible. Assessments are based on the current year.

Ms. McClung asked whether there was a downside to the effect high new growth figures have on the tax base. Mr. Poulos said if you didn't pick up the new growth, formerly held assets still depreciate, which adversely affects the tax base. Mr. Bowen concurred, saying the tax base goes up by new growth and down by depreciation. Mr. Carluccio commented that Ms. McClung's point contributes to the argument for having conservative new growth projections.

Mr. Murphy said that personal property, unlike real estate, depreciates very quickly. "There's lots of churn in personal property which is why we want to look at it every year. Companies are always buying new stuff."

Mr. Busa asked for a status update on Overlay Reserves: whether any cases can be dropped, are coming up for adjudication, if funding is sufficient.

Mr. Poulos said, all things considered, he thinks funding is sufficient. "There's a certain amount of liability risk out there that could rear its head but it's no different from any other year. These types of risks are normal and there are just constant negotiations and settlements going on—

it's like a revolving door. It's the game the tax reps play. We have outstanding cases that are getting close where something's got to give or potentially we'll have to get an appraisal done on a large campus on Crosby Drive. That appraisal could cost $20,000 to $25,000—plus lawyers' fees—if that was deemed the right path to go and a settlement can't be reached."

Mr. Cordes said the oldest cases still on the books go back to 2003 and "are almost exclusively telecom cases."

"Part of the problem is that, if we settle with a company, we have to pay them 8% interest on the settlement, back to where they paid it. Because, remember, they've already paid this money. That's the best investment a lot of these companies have. They're not in any hurry to settle….We have open cases with companies that don't even exist anymore." He added that the 8% number is outdated and that he's been trying to work with Bedford's legislative delegation to have the percentage lowered. "We hold onto a factored risk, not the full amount."

Returning to the consultant costs in the budget, Mr. Busa said FinCom would have to remember to add in the cost for the reval years and then subtract it for the two interim years.

Mr. Cordes said the Assessors were trying to find "the sweet spot" where the Assessors' office does as much of the work as possible in house, thus minimizing the contract costs. "This being [Mr. Poulos'] first year, we're still playing with what we outsource. We may wind up wanting Patriot and RRC to do more—or less—in another year or two."

Mr. Busa expressed concern— with so much personal property coming from so few of the commercial/industrial accounts—that next year's new growth estimate might be overly optimistic.

Mr. Cordes said that companies don't replace all their computers at once so new growth is anticipated. Mr. Poulos added that only 20% of the commercial/industrial accounts were visited this year. He repeated that the projection was conservative.

Mr. Steele thanked the Assessors and explained that FinCom would hear from all departments before making a recommendation.

Mr. Garofalo said there could be funds available in the Assessors' salary segregation to breach the guideline gap.

Schools Proposed FY16 Budget: Because Superintendent Sills could not attend the meeting due to illness, School Committee Chair Hafer presented the proposal. Mr. Hafer said he would hold off on in-depth detail until Mr. Sills can be present. However, it should be noted that the School Committee approved a $36,260,993 FY16 budget which represents a $666,458 variance from FinCom's recommendation. The percentage increase of this budget is 4.43% compared to the FinCom guideline of 2.5%.

Following up on an earlier School budget preliminary presentation made in this fall, Mr. Hafer said that adjustments had been made to the FY15 baseline because utilities and technology have been pulled out.

He added that Mr. Sills is "very sensitive" to FinCom comments in regard to additional FTEs that "ended up in FY15 that weren't originally approved." Those additional FTEs included another kindergarten teacher due to unexpectedly high enrollment, an inclusion specialist, a part-time ELA coordinator, a part-time intervention specialist and staff to support in-house SpEd programs.

Mr. Hafer said a "maintenance of service" budget, would require a $3.68m increase over FY15 which exceeds FinCom's 2.5% guideline increase. Key drivers for a maintenance of service budget are salary contacts, operating expenses, out-of-district placements, out-of–district transportation, and regular transportation. Drivers for the proposed higher budget include enrollment, increasing social/emotional needs, in-house SpEd expansion, and "programmatic, academic and accountability needs."

Enrollment: Davis School is projected to increase overall by 17 students as there will be "a very large kindergarten population" next year. Lane School will go down one classroom. JGMS is down 40 from FY14 but up 20 from FY15. BHS is stable and overcrowding in classrooms has abated with additional staff hired this academic year.

Social/Emotional Needs: Mr. Hafer said this is an area where explanation grows complex. "It's really too bad [Superintendent Sills] isn't here because, as a committee, we don't deal with the individual student needs, we don't see who they are and what those issues are on a daily basis." Personnel additions for social emotional needs include a 1.0 adjustment counselor at Davis, a .4 guidance/adjustment counselor at BHS, and a .5 TA at BHS.

Program Needs**:** Mr. Hafer emphasized that one of the drivers of the higher budget is the continuing effort to bring out-of-district SpEd students back in-house, or to avoid out-of-district placement altogether. "If we didn't [do this] the budget would actually be higher than it is," he explained. The total number of SpEd students educated in-district in 2008/09 is about the same as in 2014/15 but the number of OOD placements is "significantly less," although Mr. Hafer acknowledged SpEd was "a moving target."

Mr. Coelho noted that early intervention services for pre-K children are also part of the full Special Education picture.

Mr. Hafer said that SpEd diagnosis for autism has increased since 2010 from 37 to 49 students. Emotional support for students has increased in the same timeframe from 34 to 61 individuals. Autistic students require a higher degree of support whether educated in-house or out-of-district; out-of-district autism placements are prohibitively expensive.

Mr. Hafer said that the plan to expand in-house Special Ed programming at Davis would require 3.6 FTEs at a cost of $146,030. Expansion of in-house SpEd at BHS would require 2 FTEs for a cost of $85,349. In-house program expansions represent a cost savings to the School budget of

$233,333, a savings to the Town of $152,333, a net School department savings of $171,693 with the circuit breaker offset, and a net savings to the Town of $90,693 with circuit breaker.

Programmatic, academic and accountability needs: One strand of this category addresses technology purchases that have not been moved to Capital. The Schools propose leasing 30 iPads each for Davis and Lane Schools ($19,000) as well as another 120 iPads with ancillaries and headphones, specifically for PARCC assessments—occupying up to 2 three-week windows per year— that would also be used for regular education during the remainder of the school year ($36,000). There are presently 90 iPads available at JGMS with a waiting list for use on a period-by-period basis. The computer labs are fully booked.

Other expenditures that would satisfy the recommendations of the four schools' improvement plans and the School Safety Task Force equal $131,400.

All in all, the Schools propose adding another 10.7 FTEs throughout the system. Regular education seeks 4.6 FTEs of the total; SpEd seeks 6.1FTEs. Student enrollment (FY15) has increased by 9.4% since FY05, regular education staff has increased by 10.2% and SpEd has increases by 70.40%. Mr. Garofalo said that the FTE salary calculations do include OPEB.

In conclusion, Mr. Hafer said the School Committee had gone through a series of revisions from a preliminary increase of 6% to 4.3%, going through the budget line item by line item; looking at personnel, supplies and facilities; and "making sure the revolving accounts were being used appropriately."

Finance Committee questions/comments:

- Mr. Carluccio questioned the enrollment number jump from 8th to 9th grade. Mr. Coelho replied that was due to the incoming Hanscom population but added the numbers were volatile due to other Hanscom students coming in at the higher grade levels.

- Mr. Carluccio asked if there was an enrollment reduction coming up. Mr. Hafer said the Schools were doing an enrollment study to better understand the enrollment forecast.

- Mr. Carluccio asked about the benefit of trading higher-paid retirees with lower-paid entry level staff. Mr. Coelho said that new hires were calculated at an M5 salary level [$61, 670]. Some are actually hired at a higher rate and some at a lower rate. He added that he calculated the COLA and Step figures based on actual, known staff leaving and replacement staff coming in at "that mythical M5 number." Mr. Hafer said that new hires don't get COLA or step increases so that figure had also been adjusted.

- Mr. Carluccio said "what the Schools are trying to achieve is incredible" but he has concerns about trying to be all things to all people with such a diverse population. He questioned, for example, the cost of adding honors classes for a small number of students. Ms Guay replied there may not be a cost attached because a single class can have differentiated instruction for students taking the course at different levels of rigor.

- On the subject of the additional iPads requested for PARCC and instructional technology, Mr. Carluccio asked, “Would we survive if we didn’t get that?” Mr. Hafer replied that the Schools could survive but the computers would have to be “taken offline for normal education.”

- Mr. Carluccio asked about using the Mudge Fund for athletic needs, such as uniforms. Mr. Hafer replied that $30,000 of the Fund was recently used to collaboratively fund the press box at Sabourin Field. “We agreed when we did that that we wouldn’t use the interest as we typically do until we’d replenished the principle balance. In reality, we are using the $4,000-$5,000 of interest—so some of the Mudge Fund is being used.”

- Mr. Busa asked what the original Mudge Fund principle balance was when it was first opened. Mr. Coelho said it was $1,500. Mr. Busa said the Mudge Fund is “a slush fund that we’re just sitting on.” Mr. Pierce replied the Mudge Fund is a benefit to the town that has been around since 1913 and that “we’re using the interest and preserving the principle.” Mr. Busa said that not using it means “we’re going to sit on it forever and continue to tax the residents more money.” Mr. Pierce countered that the town is fortunate to have had people with the foresight to let the Fund grow so that the interest is substantial enough to be useful.

- Ms. McClung asked about the two additional .1 FTEs listed for Art, saying it was “an unusual amount to add for a teacher.” Mr. Coelho said the .1 FTE at the high school was an offset to the reduction in FAMCO because students needed to be somewhere else if they weren’t able to take FAMCO.

- Ms. McClung asked about the cost of the afterschool homework program at Lane. Mr. Coelho said it would provide “additional compensation for teachers to act as tutors and run a significant program.”

  Ms. McClung asked how transportation home would be arranged. Mr. Coelho said that, in the past when such a program has been in effect, students took a bus from Lane to JGMS for the program and then caught the late bus from there or, alternately, the late bus swung by Lane first before picking up students at JGMS and BHS.

  Ms. McClung asked if the Schools had looked into having high school students provide the tutoring instead of paying teachers. Mr. Coelho said he was not aware if that had been considered.

- Ms. Mc Clung asked about the iPads requested for PARCC and whether they’d be considered “back-ups” for the rest of the year. Mr. Coelho said that the iPads would be on shared classroom tech carts when not being used for PARCC. Mr. McAllister added that it’s best to have students become familiar with iPads before they have to take tests using them.

- Ms. McClung asked if the School Committee was aware of and willing to support the Western Mass. Education Leaders Coalition's recent stance on unfunded mandates such as "the amount, frequency and cost of standardized testing." Ms. Seibert replied that Bedford is a member of the EDCO collaborative and a participant in their policy statement that similarly questions unfunded mandates in general and PARCC specifically. "We are following the directions of the Department of Education in Massachusetts, right at the moment. However "we are participating in groups that are making statement," Ms. Seibert said.

- Ms. Perry asked whether the $800,000 less in SpEd cost avoidance projected for FY16 was the beginning of a trend. Mr. Coelho said it was hard to tell because it was not sure, as children develop, whether they would require out of district services.

- Ms. Perry asked about the "huge difference in cost" for different SpEd programs. Ms. Guay replied that some programs cost more because the level of need is higher. Autism programs are notably more expensive and autism diagnoses have increased.

- Mr. Bowen asked about the salaries in the maintenance of service budget. Mr. Coelho said his estimates are based on what is now known about which faculty are staying and which are leaving. "We have one teacher at Lane who is leaving completely and five other people who are retiring. Their backfill is less than their salaries at retirement ($85,000-$92,000 depending on seniority and other factors)." The M5 level placeholder for a new hire is $61, 670.

- Ms. Perry asked if cost adjustments have been made to reflect a longer school day. Mr. Coelho said they had been made and a total of 18-19 minutes per day has been added. Mr. Hafer said the time changes are included in the most recent teachers' contract.

- Mr. Bowen said he "would have a hard time digesting a 4.43% increase with a zero inflation year coming up." He also noted that, given the stressors on the State budget, Hanscom student reimbursement is not a sure thing.

- Mr. Busa pointed to the proposed and actual FTE increases. Over the last two years, an additional 28 FTEs have been added and the FY16 budget proposes another 10.7. Comparing the FTE increase to a decrease in both in regular and Special Education enrollment he said, "We have less children in district in SpEd, we have less children in the system and we're adding 40 FTEs." Mr. McAllister replied that it was not just the number of students in the system but the educational needs and support required for those students. Ms. Seibert added that guidance, ELL and other specialists make up a substantial proportion of the FTEs recently hired.

- Mr. Busa asked about the balances of the Schools' special funds. Mr. Hafer said there is "no policy about balance relative to annual expenditure". He speculated that the ratio that could be used would change from fund to fund, such as the building rental account vs. the school lunch account. Mr. Hafer said, “We started to selectively take where we thought we could, although we don’t have a formal target guideline.”

- Mr. Busa asked what the balances were of the funds that were not restricted as to use for a specific need. “Are we spending those fund balances down because last year at this time, it was a substantial amount of funds, sitting in accounts.”

- Mr. Carluccio noted that even though the fund balance is projected to go down, in actuality, the fund balance has been increasing. Ms. Seibert likened this to Free Cash, saying “there was a lot of Free Cash this year.” Ms. Perry countered that Free Cash “can be used for the whole budget” but the Schools’ funds are used exclusively for the Schools. “The concept is not parallel…. We have to allocate for all other Town departments.” Mr. Carluccio added that Free Cash is the nucleus of the next year’s budget.

Chairman Steele thanked the Schools and said FinCom would consider what it had heard and follow-up with questions for Superintendent Sills at the next meeting.

Ms. Perry noted that the amount for School utilities—proposed for transfer to Facilities—and the amount for Schools technology—proposed for transfer to Capital—should be the amount spent, not the amount budgeted. Mr. Garofalo said he would especially check the tech number, noting that it changed at one point from $150,000 to $101,470. He is not clear how firm that number is but encouraged Ms. Perry to ask Mr. Sills at the next meeting.

Warrant Recommendations: The Committee then reviewed the schedule leading up to Town Meeting. The warrant closes Feb. 17 so FinCom recommendations need to be voted by Feb. 12.

Mr. Garofalo said that the Selectmen’s budget is over guideline by $20,000. He said the cause of the overage is a roof management program—originally proposed for the Capital budget—that has been pulled out and placed back in Operating under Facilities because it qualifies as a recurring expense. Questions about the proposed budget should be in to Mr. Garofalo by Monday, Feb. 2.

Model 2.8: Mr. Garofalo said the only changes to the model are the reduction in expected State Aid, although indications are that level funding is probable next year.

Mr. Garofalo increased the Heath Care line item and will communicate any new information that comes out of a meeting scheduled on the following day.

Mr. Garofalo increased the Reserve Fund as discussed at the previous meeting.

The Surplus remains at zero.

Mr. Garofalo reported that the Schools added another $78,500 request to Capital for a feasibility study for Davis and Lane. Originally, the study was slated for FY17 but should have been moved to FY16. The mistake was recently caught. Mr. Sills must now return to CapEx “to see what can be done." For now, the study is not on the FY16 list. Ms. Perry cautioned that CapEx is not scheduled to meet until Feb. 18—after the warrant closes.

Ms. McClung pointed out that the study needs to be done soon because the results will inform whether modulars are moved up to Lane to accommodate a large Grade 2 bubble migrating to Grade 3 next fall. Conversely, there is also an overly large kindergarten expected at Davis next year with may require all three modulars remain there.

Mr. Garofalo said the Unused Levy is now $1,635,272 and the Mitre PILOT is $1,555,000.

Mr. Thomas asked Mr. Garofalo to look into how many Town and School employees will be going from age 25 to age 26 and therefore need to access the Town's health care benefit. Mr. Bowen noted that some families may downsize and therefore reduce their benefits.

Meetings attended: Mr. Thomas attended the Selectmen's meeting where the town-wide communications study was discussed. He called the project "not inexpensive" and noted it is in the Capital article "for the next few years." He encouraged members to make themselves familiar with the details that are posted in the Dropbox.

He added there was a contract amendment for the Town Hall heating and cooling system.

Adjournment: Mr. Bowen moved to adjourn. Ms. McClung seconded. The motion carried, 9-0-0.

Respectfully submitted,
Kim Siebert, FinCom Recording Secretary